

Pro-Benchmarking is Pro-Business

AND HERE'S WHY

SOUTHWEST ENERGY EFFICIENCY PROJECT

More information is better.

More information helps businesses make better and smarter investment decisions. But when it comes to investing in commercial real estate, a key piece of information is missing: **energy costs**.

Energy represents 30 percent of the typical office building's operating costs and is a property's **single largest operating expense**. Yet energy usage information is hidden when a commercial business or investor is considering buying or leasing a property. Even a building's owners and tenants often don't understand the energy performance of their building. Without this information, the investors, owners, and tenants can be saddled with high costs and a poor-performing building.

There is a fix for this: Several southwest cities are considering joining more a couple dozen of the U.S.'s largest business-friendly cities—and even a couple states—that are passing energy benchmarking and transparency laws to support their local businesses and attract new businesses. Denver's ordinance passed in December 2016, and more are on the horizon.

More information on a building's energy use—and how it compares to other similar buildings—allows businesses to make their own informed decisions on how to save money, increase efficiency, boost profits, and strengthen their competitive advantage. And it helps investors make **smart choices**. Just as miles per gallon ratings give consumers information when buying a car, benchmarking and transparency laws give businesses information when buying, leasing, or operating a building. That market intelligence boosts businesses' bottom line, strengthens the performance and resiliency of buildings, and—icing on the cake—gives a nice jolt to local job creation.

The benefits for businesses keep piling up. Here's why businesses are supporting and encouraging benchmarking and transparency ordinances, and love the energy efficiency upgrades that result:

- 1. Smart decision-making.** Comparing the performance of one building against another allows commercial real estate stakeholders such as investors and tenants to pick the highest-performing, lowest-operating cost option.
- 2. Dollar savings.** Individual building owners that benchmark can get a better understanding of how their building uses energy and how much it uses compared to their peers. With this knowledge, they can make smarter and more cost-effective improvements. Energy costs for buildings [go down an average of 2.4%](#) per year from benchmarking, just from increased awareness of energy use.
- 3. Actionable feedback.** It only gets better: Benchmarking gives a baseline and helps track energy use over time, giving businesses actionable feedback on what is working and how much energy and money they are saving from efficiency improvements.
- 4. Staying competitive.** Measuring a single building's energy use can only do so much good. Gauging its performance relative to other similar buildings and acting on that market intelligence helps a business or investor get a jump on the competition. Reducing energy costs also helps our domestic companies compete globally.
- 5. Better productivity.** Commercial tenants appreciate how high-performance buildings keep their employees happy and healthy, boosting their work output. In one meta-analysis study, occupants of high-performance buildings had [productivity gains of 23 percent from better lighting and 11 percent from better ventilation](#). Given the choice between a poor-performing building with lower productivity and a high-performing building with higher productivity, we have a clear winner. Benchmarking helps commercial businesses choose where they can get these productivity advantages.
- 6. Higher rental premiums.** Rental premiums for efficient buildings are [more than 10 percent higher](#). Tenant companies like comfortable, upgraded, and advanced buildings in which to work and live, and will pay for that.
- 7. Higher occupancy rates and lower turnover.** When buildings are more comfortable and durable, and when productivity is higher, tenants want to stay. Energy-efficient properties have [occupancy levels up to 10 percent higher](#), reducing high turnover costs for the owner and relocation costs for the commercial tenants.
- 8. Better sale prices.** Sale prices can be [up to 25 percent higher for energy-efficient properties](#), as shown in dozens of statistical studies. The financial upside of having benchmarking data available for real estate stakeholders is clear.
- 9. Benefits for mortgage lenders.** Energy Star and LEED-certified properties are [20 percent less likely to default on loans](#), because the operating savings from energy efficiency help keep the business running strong.

- 10. Helping the free market do its thing.** Free markets need information and data to work at their best. Allowing energy data to meet the light of day allows the market to compare buildings, compare savings, reward efficiency, and increase innovation. Also, building owners and property managers who invest in efficiency can be recognized in the market and have their efforts reflected in their profits.
- 11. Local job creation and economic growth.** As the Institute of Market Transformation notes, better information and transparency about building performance unlocks demand for energy-efficient products and skilled workers such as [engineers](#), [energy auditors](#), [architects](#), [facility managers](#), and [construction workers](#)—quality jobs that can't be outsourced.
- 12. And even more jobs.** When businesses save on energy costs or boost their operating income they can invest that money in new staff and new products.
- 13. Attracting new businesses.** Real estate stakeholders such as investors, agents, lenders, and tenants are drawn to where they can make good profits, and benchmarking and transparency data draws them to the best investments.

Benchmarking and transparency laws are an easy way for cities, counties, and states to support businesses within their borders, and attract new ones. Businesses ranging from large commercial real estate managers and property owners to builders to contractors to energy service companies are lining up to support these ordinances. The message is clear: keeping the data suppressed, concealed, and opaque hurts business. More market intelligence and data helps them thrive.

About the Author: Christine Hurley Brinker is a Senior Associate in SWEEP's Buildings Efficiency Program, where she advances building energy codes, energy efficiency programs, and local policies. She specializes in commercial building efficiency, including high performance buildings, benchmarking and transparency, multifamily, and commercial building energy code adoption and compliance. She can be reached at cbrinker@swenergy.org.

